

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2009-166-E - ORDER NO. 2009-336  
MAY 19, 2009

IN RE: Petition of Duke Energy Carolinas, LLC for	) ORDER APPROVING
Approval of Energy Efficiency Programs	) ENERGY EFFICIENCY
And an Accounting Order to Defer Costs	) PROGRAMS AND
Incurred in Connection with Development	) ACCOUNTING ORDER
and Implementation of Energy Efficiency	) TO DEFER COSTS
Programs	) INCURRED IN
	) CONNECTION WITH
	) DEVELOPMENT AND
	) IMPLEMENTATION OF
	) ENERGY EFFICIENCY
	) PROGRAMS

This matter comes before the Public Service Commission of South Carolina ("Commission") on the petition of Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or the "Company"), in which the Company seeks, pursuant to S.C. Code Ann. § 58-27-1540 (Supp. 2008) and 26 S.C. Code Ann. Reg. 103-825 (1976, as amended): (1) approval of a portfolio of energy efficiency<sup>1</sup> programs, as more fully described herein, and (2) an accounting order for regulatory accounting purposes authorizing the Company to defer in a regulatory asset account all costs that are being or will be incurred by the Company in connection with the development and implementation of its energy efficiency programs pending a decision by the Commission on the appropriate compensation model for such activities in the general rate case the Company will file

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<sup>1</sup> The term "energy efficiency," as used in this Petition, includes both energy efficiency/conservation and demand-side management/demand response measures.

later this year. Further, Duke Energy Carolinas has requested assurance from the Commission that the Company may true-up incentives for costs deferred pursuant to this petition in accordance with the Commission's order on the appropriate compensation mechanism in the Company's general rate proceeding.

The Company's request for relief will not involve a change to any of Duke Energy Carolinas' retail rates or prices at this time, or require any change in any Commission rule, regulation or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address these issues in the subsequent general rate case proceeding. Accordingly, neither notice to the public at-large, nor a hearing is required regarding this Petition.

In support of this petition, Duke Energy Carolinas has presented the following facts and petitioned the Commission for the following relief: **Description of the Company**

Duke Energy Carolinas is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the central and western portions of North Carolina and the western portion of South Carolina. The Company also sells electricity at wholesale to municipal, cooperative and investor-owned electric utilities and its wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission. Duke Energy Carolinas is a corporation organized and existing under the laws of North Carolina authorized to transact business in the State of South Carolina and is a public utility under the laws of that State. Accordingly, its operations in South Carolina are subject to the jurisdiction of the Public Service Commission of South Carolina pursuant to the provisions of Chapter 27 of Title 58 of the South Carolina Code of Laws.

### **Energy Efficiency Programs**

Duke Energy Carolinas attached to its Petition as Exhibit No. 1 ten (10) tariffs and one service agreement for the Commission's approval. Specifically, the Company seeks approval of its PowerShare<sup>®</sup> Service Agreement, as well as tariff filings for Schedule HP – X, Residential Energy Assessments, PowerShare<sup>®</sup>, Power Manager, Nonresidential Smart \$aver<sup>®</sup>, Residential Smart \$aver<sup>®</sup>, Residential Smart \$aver<sup>®</sup> for Air Conditioning, Nonresidential Energy Assessments, Energy Efficiency Education Program, and Low Income Energy Efficiency and Weatherization (the "Programs"). The Programs are identical to the programs previously filed by the Company for approval in Docket No. 2007-358-E on November 21, 2008. Duke Energy Carolinas also has several additional programs under development and anticipates filing these programs soon.

The Company developed its Programs in collaboration with interested stakeholders participating in the Company's South Carolina Energy Efficiency Collaborative Group (the "Collaborative"). The Collaborative includes a diverse group of customers, state agencies, environmental groups, and other stakeholders. Participants in the Collaborative include The South Carolina Office of Regulatory Staff, The Timken Corporation, Sierra Club, Environmental Edge Consulting, The University of South Carolina Upstate, Greenville County Schools, and the South Carolina State Energy Office. Advanced Energy Corporation moderates each meeting of the Collaborative. Advanced Energy Corporation is a non-profit national resource based in North Carolina that works with utilities to develop programs and services to benefit their customers. Duke Energy Carolinas continues to evaluate ways to enhance its stakeholder

engagement process and remains open to working with interested groups to develop new programming ideas.

The Company employed a three-step process to determine the programs to be included in the proposed portfolio. First, it compiled a list of energy efficiency programs already offered and tested by Duke Energy Carolinas and its affiliate utility operating companies. Implementing programs already offered by the Company's affiliates is likely to result in lower costs and operational efficiency through shared administration and best practices. Second, the Company solicited new program ideas from all members of the Collaborative and solicited direct input from South Carolina customers through primary research. Third, the Company refined these ideas, applying multiple cost-effectiveness analyses to evaluate all current or proposed programs. Programs deemed cost-effective were incorporated into a master list of program ideas, reviewed and agreed to by the Collaborative members, and finally, consolidated into the list of energy efficiency programs included in the portfolio.

The Programs are designed to greatly expand the reach of energy efficiency in the Company's South Carolina service territory by providing more options for customers to control their energy usage and manage their bills. Duke Energy Carolinas believes that, during these tough economic times, the Programs can generate real bill savings for South Carolina citizens and businesses at a time when they need it most. The Programs also provide customers with the opportunity to lower their environmental footprint through direct participation in energy efficiency. Duke Energy Carolinas' proposal includes the following mix of conservation and demand-response programs:

- a) **Residential Energy Assessments** are designed to help residential customers identify opportunities to use energy more efficiently through mail-in analysis, on-line analysis, and on-site energy audit. Participating customers will receive either an energy efficiency kit or compact fluorescent light bulbs at the time of audit to begin their energy savings immediately.
- b) **Non-Residential Energy Assessments** are designed to help general service and industrial customers identify opportunities to use energy more efficiently through on-line analysis, telephone interviews, and on-site energy audits.
- c) **Smart Saver<sup>®</sup> and Smart Saver<sup>®</sup> for Air Conditioning** will provide residential customers with incentives to install more energy-efficient, ENERGY STAR<sup>®</sup> certified equipment, such as compact fluorescent light bulbs and high-efficiency air conditioners and heat pumps. The non-residential customer program will provide incentives to install high-efficiency lighting, heating, ventilation, and air conditioning equipment, motors, pumps, and other high efficiency equipment.
- d) **Low Income Energy Efficiency and Weatherization** will assist low income residential customers with energy efficiency measures using kits or through assistance in purchasing equipment and weatherizing homes.
- e) **Power Manager** will enable residential customers to receive a

monthly credit from July to October in exchange for allowing Duke Energy Carolinas to cycle their central air conditioning systems in times of peak power demand and to interrupt the central air conditioning when the Company has capacity constraints.

f) **PowerShare®** will enable nonresidential customers to receive a credit on their bills in exchange for reducing their electric use in times of peak power demand or unexpected capacity constraints.

In connection with the implementation of the proposed portfolio of energy efficiency programs, the Company requests approval to cancel Riders IS, SG, and LC, as well as the Existing Residential Housing Program (Leaf 142). Riders IS and SG are replaced in the new portfolio with PowerShare®. Rider LC is replaced in the new portfolio with Power Manager. The Existing Residential Housing Program (Leaf 142) is replaced by the Smart Saver® Program. No changes are proposed at this time for the Residential Energy Star rate. Customers currently enrolled in Riders IS and SG will be given up to twelve months to transition to the new programs. Customers on Rider LC will automatically be converted to Power Manager, but will be given advance notice that they can request removal from the new program at any time.

#### **Accounting Treatment**

Based on the foregoing, Duke Energy Carolinas seeks an order from the Commission authorizing the Company to defer as a regulatory asset all costs incurred in connection with the Company's development and implementation of the Programs. The Company will file a general rate proceeding later this year. The Company anticipates

seeking specific authority at that time to collect revenues sufficient to cover the Company's energy efficiency program costs, lost revenues, and an incentive, including the balance of the requested deferred costs charged as a regulatory asset.

#### **Effective Date**

Development costs will be incurred in advance of implementing the Programs; however, for purposes of this Petition only, the Company requests that the deferral be effective for costs incurred on and after June 1, 2009, the expected start date for implementation of the Programs. The accounting order will not preclude the Commission from addressing the reasonableness of the costs deferred in the regulatory asset account in the Company's general rate proceeding later this year.

#### **Findings of Fact and Conclusions of Law**

The Commission has reviewed the above-described programs, and has concluded that approving the Programs and authorizing deferral of the costs relating to development and implementation of the Programs will benefit the Company's customers by providing much-needed energy efficiency programming options that can help reduce their bills and lower their environmental footprint. Further, timely approval of the Company's Petition will help position Duke Energy Carolinas to have programs available to customers coincident with the possible receipt of grant monies by the state issuing from the federal government pursuant to Section 410 of Title VII of the 2009 American Recovery and Reinvestment Act<sup>2</sup> (also known as the Stimulus Bill).

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<sup>2</sup> American Recovery and Reinvestment Act of 2009, 111 P.L. 5, 123 Stat. 115 (2009).

The Commission recently has authorized similar deferral accounting treatment for South Carolina Electric & Gas Company in Docket No. 2009-98-E for the costs of energy efficiency programs. Thus, Commission precedent supports similar treatment for the costs at issue here. Finally, the Company's requests in this Petition are consistent with the recommendation of the Southern Environmental Law Center, Southern Alliance for Clean Energy, Environmental Defense Fund and Coastal Conservation League (collectively, the "Environmental Parties") in Docket No. 2007-358-E. On December 10, 2008, the Environmental Parties filed a letter with the Commission in the aforementioned docket in which they recommended, in part, that "a possible interim solution would be to approve the Save-a-watt programs on an interim basis, with incurred costs placed into a deferred account for later true-up once an appropriate compensation mechanism is approved."

Accordingly, the Commission issues this order (i) approving the Program tariffs and service agreement set forth in Exhibit No. 1; (ii) cancelling Riders IS, SG, and LC, as well as the Existing Residential Housing Program (Leaf 142); (iii) allowing the Company to establish a regulatory asset account to which it may charge the costs incurred related to development and implementation of the Programs from June 1, 2009 until such date as these costs may be reflected in electric rates; and (iv) stating that the Company may true-up incentives for costs deferred pursuant to this petition in accordance with the Commission's order on the appropriate compensation mechanism in the Company's general rate proceeding.

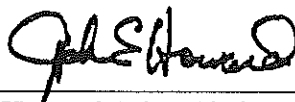


This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
John E. Howard, Vice Chairman  
(SEAL)